

TOWNSHIP OF GARFIELD  
Clare County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* GARFIELD	County* CLARE	Type* TOWNSHIP	MuniCode* 18-1-050
Opinion Date-Use Calendar* 10-16-08	Audit Submitted-Use Calendar* 10-23-08	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 252,654.05
General Fund Expenditure:	<input type="checkbox"/> ? \$ 249,223.08
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 253,464.36
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* P.O. BOX 390	Unit's City* LAKE	Unit's Zip* 48632	

TOWNSHIP OF GARFIELD  
Clare County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

October 16, 2008

To the Township Board  
Township of Garfield  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garfield, Clare County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Garfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garfield, Clare County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

This section of the Township of Garfield annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2008, totaled \$1,442,460.85 for governmental activities. Of this total, \$639,868.74 represent capital assets net of depreciation.

Overall revenues were \$622,020.67 from governmental activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Liquor Fund, Budget Stabilization Fund, Solid Waste Disposal Fund, Equipment Replacement Fund, Special Equipment Fund and Perch Lake, Eight Point Lake & Crooked Lake Improvement Fund.

TOWNSHIP OF GARFIELD  
Clare County, Michigan  
**CONDENSED FINANCIAL INFORMATION**  
For the year ended June 30, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	802 592
Capital Assets	<u>639 869</u>
Total Assets	<u>1 442 461</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	639 869
Unrestricted	<u>802 592</u>
Total Net Assets	<u>1 442 461</u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	405 111
General Revenues:	
Property Taxes	59 810
State Revenue Sharing	139 944
Interest	16 012
Miscellaneous	<u>1 144</u>
Total Revenues	<u>622 021</u>
Program Expenses:	
Legislative	6 738
General Government	162 170
Public Safety	133 783
Public Works	<u>266 421</u>
Total Expenses	<u>569 112</u>
Increase in Net Assets	52 909
Net Assets, July 1	<u>1 389 552</u>
Net Assets, June 30	<u>1 442 461</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and all Special Revenue Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

**Net assets:** The Township's combined net assets increased \$52,908.85 during the year ended June 30, 2008, totaling \$1,442,460.85.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

**General Fund:** This fund is used to record all activities of the Township not required to be recorded in separate funds. This would include administration, elections, Board of Review, Township hall and other Township property, cemetery, roads, lighting and library support. The major source of revenue for the General Fund is from state revenue sharing and tax base. The Township General Fund fund balance increased by \$16,101.97 during the year ended June 30, 2008, totaling \$253,464.36.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

**Capital assets:**

The Township did not acquire any new capital assets during the fiscal year ended June 30, 2008.

**Long-term debt:**

The Township had no long-term debt activity during the fiscal year ended June 30, 2008.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors affecting future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customer with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenue it receives. If you have any questions concerning this report please contact the Township Supervisor or Township Clerk at the Township Hall, 9348 Terry Street, Lake, Michigan 48632, during the hours of 9-4 Monday-Wednesday-Friday or by calling 989-544-2445.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>802 592 11</u>
Total Current Assets	<u>802 592 11</u>
NONCURRENT ASSETS:	
Capital Assets	996 872 46
Less: Accumulated Depreciation	<u>(357 003 72)</u>
Total Noncurrent Assets	<u>639 868 74</u>
TOTAL ASSETS	<u><u>1 442 460 85</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	639 868 74
Unrestricted	<u>802 592 11</u>
Total Net Assets	<u><u>1 442 460 85</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 442 460 85</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	6 737 57	-	(6 737 57)
General government	162 170 07	37 667 49	(124 502 58)
Public safety	133 783 25	131 981 65	(1 801 60)
Public works	<u>266 420 93</u>	<u>235 461 62</u>	<u>(30 959 31)</u>
Total Governmental Activities	<u>569 111 82</u>	<u>405 110 76</u>	<u>(164 001 06)</u>
General Revenues:			
Property taxes			59 809 91
State revenue sharing			139 944 16
Interest			16 012 24
Miscellaneous			<u>1 143 60</u>
Total General Revenues			<u>216 909 91</u>
Change in net assets			52 908 85
Net assets, beginning of year			<u>1 389 552 00</u>
Net Assets, End of Year			<u>1 442 460 85</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2008

	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Other Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash in bank	251 872 96	63 744 46	214 685 93	270 697 36	801 000 71
Due from other funds	<u>1 591 40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 591 40</u>
Total Assets	<u>253 464 36</u>	<u>63 744 46</u>	<u>214 685 93</u>	<u>270 697 36</u>	<u>802 592 11</u>
<b><u>Liabilities and Fund Equity</u></b>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>253 464 36</u>	<u>63 744 46</u>	<u>214 685 93</u>	<u>270 697 36</u>	<u>802 592 11</u>
Total fund equity	<u>253 464 36</u>	<u>63 744 46</u>	<u>214 685 93</u>	<u>270 697 36</u>	<u>802 592 11</u>
Total Liabilities and Fund Equity	<u>253 464 36</u>	<u>63 744 46</u>	<u>214 685 93</u>	<u>270 697 36</u>	<u>802 592 11</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 802 592 11

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	996 872 46
Accumulated depreciation	<u>(357 003 72)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 1 442 460 85

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Other Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Property taxes	59 809 91	-	-	-	59 809 91
State revenue sharing	138 020 81	-	-	1 923 35	139 944 16
Charges for services – PTAF	34 742 09	-	-	-	34 742 09
Charges for services – other	2 925 40	-	-	-	2 925 40
Interest	16 012 24	-	-	-	16 012 24
Special assessments	-	131 981 65	149 520 22	83 766 75	365 268 62
Miscellaneous	<u>1 143 60</u>	<u>2 174 65</u>	<u>-</u>	<u>-</u>	<u>3 318 25</u>
<b>Total revenues</b>	<u>252 654 05</u>	<u>134 156 30</u>	<u>149 520 22</u>	<u>85 690 10</u>	<u>622 020 67</u>
<b>Expenditures:</b>					
Legislative:					
Township Board	6 737 57	-	-	-	6 737 57
General government:					
Supervisor	40 890 55	-	-	-	40 890 55
Elections	985 67	-	-	-	985 67
Clerk	17 358 78	-	-	-	17 358 78
Board of Review	698 51	-	-	-	698 51
Treasurer	26 024 20	-	-	-	26 024 20
Building and grounds	10 707 98	-	-	-	10 707 98
Other properties	16 918 16	-	-	-	16 918 16
Cemetery	7 500 31	-	-	-	7 500 31
Unallocated	36 217 35	-	-	-	36 217 35
Public safety:					
Liquor control	-	-	-	1 923 35	1 923 35
Fire services	-	93 132 32	-	-	93 132 32
Public works:					
Highways and streets	85 184 00	-	-	-	85 184 00
Sanitation	-	-	122 783 44	-	122 783 44
Lake weed control	<u>-</u>	<u>-</u>	<u>-</u>	<u>58 453 49</u>	<u>58 453 49</u>
<b>Total expenditures</b>	<u>249 223 08</u>	<u>93 132 32</u>	<u>122 783 44</u>	<u>60 376 84</u>	<u>525 515 68</u>
<b>Excess of revenues over expenditures</b>	<u>3 430 97</u>	<u>41 023 98</u>	<u>26 736 78</u>	<u>25 313 26</u>	<u>96 504 99</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	12 671 00	-	-	29 829 00	42 500 00
Operating transfers out	<u>-</u>	<u>(42 500 00)</u>	<u>-</u>	<u>-</u>	<u>(42 500 00)</u>
<b>Total other financing sources (uses)</b>	<u>12 671 00</u>	<u>(42 500 00)</u>	<u>-</u>	<u>29 829 00</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	16 101 97	(1 476 02)	26 736 78	55 142 26	96 504 99
<b>Fund balances, July 1</b>	<u>237 362 39</u>	<u>65 220 48</u>	<u>187 949 15</u>	<u>215 555 10</u>	<u>706 087 12</u>
<b>Fund Balances, June 30</b>	<u>253 464 36</u>	<u>63 744 46</u>	<u>214 685 93</u>	<u>270 697 36</u>	<u>802 592 11</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 96 504 99

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(43 596 14)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 52 908 85

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Garfield, Clare County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Garfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was .7235 mills, and the taxable value was \$82,687,177.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	3-20 years

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 3 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>802 592 11</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>631 941 55</u>
Total Deposits	<u>831 941 55</u>

The Township of Garfield did not have any investments as of June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 4 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 591 40</u>	Current Tax Collection	<u>1 591 40</u>
Total	<u><u>1 591 40</u></u>	Total	<u><u>1 591 40</u></u>

**Note 5 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Land	66 511 10	-	-	66 511 10
Equipment	303 638 74	-	-	303 638 74
Buildings	<u>626 722 62</u>	<u>-</u>	<u>-</u>	<u>626 722 62</u>
Total	996 872 46	-	-	996 872 46
Accumulated Depreciation	<u>(313 407 58)</u>	<u>(43 596 14)</u>	<u>-</u>	<u>(357 003 72)</u>
Net Capital Assets	<u><u>683 464 88</u></u>	<u><u>(43 596 14)</u></u>	<u><u>-</u></u>	<u><u>639 868 74</u></u>

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Pension Plan**

The Township has a defined contribution pension plan covering all Township Board members. The Township contributes a percentage of each employee's wages to the plan. Pension expense for the fiscal year ended June 30, 2008, was \$16,424.57.

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 – Transfers In and Transfers Out**

For the fiscal year ended, June 30, 2008, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	12 671 00	Fire	12 671 00
Equipment replacement	<u>29 829 00</u>	Fire	<u>29 829 00</u>
Total	<u><u>42 500 00</u></u>	Total	<u><u>42 500 00</u></u>

**Note 10 – Building Permits**

The Township of Garfield does not issue building permits. Building permits are issued by the County of Clare.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	59 000 00	59 000 00	59 809 91	809 91
State revenue sharing	134 000 00	134 000 00	138 020 81	4 020 81
Charges for services – PTAF	20 000 00	20 000 00	34 742 09	14 742 09
Charges for services – other	3 300 00	3 300 00	2 925 40	(374 60)
Interest	8 000 00	8 000 00	16 012 24	8 012 24
Miscellaneous	3 720 00	3 720 00	1 143 60	(2 576 40)
Total revenues	<u>228 020 00</u>	<u>228 020 00</u>	<u>252 654 05</u>	<u>24 634 05</u>
Expenditures:				
Legislative:				
Township Board	12 600 00	12 600 00	6 737 57	(5 862 43)
General government:				
Supervisor	43 150 00	43 150 00	40 890 55	(2 259 45)
Elections	4 400 00	4 400 00	985 67	(3 414 33)
Clerk	19 600 00	19 600 00	17 358 78	(2 241 22)
Board of Review	1 000 00	1 000 00	698 51	(301 49)
Treasurer	28 130 00	28 430 00	26 024 20	(2 405 80)
Building and grounds	15 300 00	15 300 00	10 707 98	(4 592 02)
Other properties	23 700 00	23 700 00	16 918 16	(6 781 84)
Cemetery	9 200 00	9 200 00	7 500 31	(1 699 69)
Unallocated	39 900 00	39 900 00	36 217 35	(3 682 65)
Public works:				
Highways and streets	<u>100 000 00</u>	<u>100 000 00</u>	<u>85 184 00</u>	<u>(14 816 00)</u>
Total expenditures	<u>296 980 00</u>	<u>297 280 00</u>	<u>249 223 08</u>	<u>(48 056 92)</u>
Excess (deficiency) of revenues over expenditures	<u>(68 960 00)</u>	<u>(69 260 00)</u>	<u>3 430 97</u>	<u>72 690 97</u>
Other financing sources (uses):				
Operating transfers in	<u>12 671 00</u>	<u>12 671 00</u>	<u>12 671 00</u>	<u>-</u>
Total other financing sources (uses)	<u>12 671 00</u>	<u>12 671 00</u>	<u>12 671 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(56 289 00)</u>	<u>(56 589 00)</u>	<u>16 101 97</u>	<u>72 690 97</u>
Fund balance, July 1	<u>216 747 00</u>	<u>216 747 00</u>	<u>237 362 39</u>	<u>20 615 39</u>
Fund Balance, June 30	<u><u>160 458 00</u></u>	<u><u>160 158 00</u></u>	<u><u>253 464 36</u></u>	<u><u>93 306 36</u></u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	129 000 00	129 000 00	131 981 65	2 981 65
Miscellaneous	<u>-</u>	<u>-</u>	<u>2 174 65</u>	<u>2 174 65</u>
Total revenues	<u>129 000 00</u>	<u>129 000 00</u>	<u>134 156 30</u>	<u>5 156 30</u>
Expenditures:				
Public safety:				
Fire services	<u>87 100 00</u>	<u>96 200 00</u>	<u>93 132 32</u>	<u>(3 067 68)</u>
Total expenditures	<u>87 100 00</u>	<u>96 200 00</u>	<u>93 132 32</u>	<u>(3 067 68)</u>
Excess (deficiency) of revenues over expenditures	<u>41 900 00</u>	<u>32 800 00</u>	<u>41 023 98</u>	<u>8 223 98</u>
Other financing sources (uses):				
Operating transfers out	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>(42 500 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(600 00)	(9 700 00)	(1 476 02)	8 223 98
Fund balance, July 1	<u>65 220 00</u>	<u>65 220 00</u>	<u>65 220 48</u>	<u>48</u>
Fund Balance, June 30	<u>64 620 00</u>	<u>55 520 00</u>	<u>63 744 46</u>	<u>8 224 46</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – SOLID WASTE DISPOSAL FUND  
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	<u>150 000 00</u>	<u>150 000 00</u>	<u>149 520 22</u>	<u>(479 78)</u>
Total revenues	<u>150 000 00</u>	<u>150 000 00</u>	<u>149 520 22</u>	<u>(479 78)</u>
Expenditures:				
Public works:				
Sanitation	<u>134 000 00</u>	<u>134 000 00</u>	<u>122 783 44</u>	<u>(11 216 56)</u>
Total expenditures	<u>134 000 00</u>	<u>134 000 00</u>	<u>122 783 44</u>	<u>(11 216 56)</u>
Excess of revenues over expenditures	16 000 00	16 000 00	26 736 78	10 736 78
Fund balance, July 1	<u>187 949 00</u>	<u>187 949 00</u>	<u>187 949 15</u>	<u>15</u>
Fund Balance, June 30	<u>203 949 00</u>	<u>203 949 00</u>	<u>214 685 93</u>	<u>10 736 93</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Township Board:	
Wages	2 875 00
Supplies	569 27
Publishing	1 474 57
Dues	1 563 73
Legal	255 00
	<u>6 737 57</u>
Supervisor:	
Salary – Supervisor	10 500 00
Salary – Assessor	23 300 04
Supplies	1 410 13
Contracted services	4 533 26
Miscellaneous	1 147 12
	<u>40 890 55</u>
Elections:	
Wages	734 75
Miscellaneous	250 92
	<u>985 67</u>
Clerk:	
Wages	15 000 00
Wages – deputy	1 098 03
Supplies	814 71
Miscellaneous	446 04
	<u>17 358 78</u>
Board of Review:	
Wages	502 20
Printing and publishing	170 00
Miscellaneous	26 31
	<u>698 51</u>
Treasurer:	
Wages	15 000 00
Wages – deputy	2 058 04
Supplies	3 174 65
Postage	4 150 00
Miscellaneous	1 641 51
	<u>26 024 20</u>
Building and grounds:	
Wages	557 37
Supplies	915 45
Insurance	3 880 00
Telephone	1 957 92
Utilities	3 239 24
Repairs and maintenance	158 00
	<u>10 707 98</u>
Other properties:	
Wages	10 161 72
Supplies	2 960 80
Repairs and maintenance	1 161 14
Gasoline	2 634 50
	<u>16 918 16</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Cemetery:	
Wages	4 545 42
Supplies	1 145 01
Insurance	350 00
Contracted services	1 275 00
Utilities	104 88
Miscellaneous	80 00
	<u>7 500 31</u>
Unallocated:	
Street lights	2 878 79
Payroll taxes	9 674 44
Insurance	5 928 55
Pension	16 424 57
Library	1 311 00
	<u>36 217 35</u>
Highways and streets:	
Repairs and maintenance	<u>85 184 00</u>
Total Expenditures	<u>249 223 08</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNEMENTAL FUNDS  
June 30, 2008

	<u>Liquor</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>	<u>Perch Lake Improvement</u>
<u>Assets</u>					
Cash in bank	<u>-</u>	<u>63 779 00</u>	<u>80 051 74</u>	<u>29 829 00</u>	<u>7 616 20</u>
Total Assets	<u>-</u>	<u>63 779 00</u>	<u>80 051 74</u>	<u>29 829 00</u>	<u>7 616 20</u>
<u>Liabilities and Fund Balances</u>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved:					
Undesignated	<u>-</u>	<u>63 779 00</u>	<u>80 051 74</u>	<u>29 829 00</u>	<u>7 616 20</u>
Total Liabilities and Fund Balances	<u>-</u>	<u>63 779 00</u>	<u>80 051 74</u>	<u>29 829 00</u>	<u>7 616 20</u>



<u>Special Equipment</u>	<u>Eight Point Lake Improvement</u>	<u>Total</u>
<u>7 946 00</u>	<u>81 475 42</u>	<u>270 697 36</u>
<u><u>7 946 00</u></u>	<u><u>81 475 42</u></u>	<u><u>270 697 36</u></u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>7 946 00</u>	<u>81 475 42</u>	<u>270 697 36</u>
<u><u>7 946 00</u></u>	<u><u>81 475 42</u></u>	<u><u>270 697 36</u></u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	<u>Liquor</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>	<u>Perch Lake Improvement</u>
Revenues:					
State revenue sharing	1 923 35	-	-	-	-
Special assessments	-	-	37 125 75	-	5 907 00
Total revenues	<u>1 923 35</u>	<u>-</u>	<u>37 125 75</u>	<u>-</u>	<u>5 907 00</u>
Expenditures:					
Public safety:					
Liquor control	1 923 35	-	-	-	-
Public works:					
Lake weed control	-	-	37 349 00	-	8 240 00
Total expenditures	<u>1 923 35</u>	<u>-</u>	<u>37 349 00</u>	<u>-</u>	<u>8 240 00</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(223 25)</u>	<u>-</u>	<u>(2 333 00)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	29 829 00	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>29 829 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>(223 25)</u>	<u>29 829 00</u>	<u>(2 333 00)</u>
Fund balances, July 1	<u>-</u>	<u>63 779 00</u>	<u>80 274 99</u>	<u>-</u>	<u>9 949 20</u>
Fund Balances, June 30	<u>-</u>	<u>63 779 00</u>	<u>80 051 74</u>	<u>29 829 00</u>	<u>7 616 20</u>

<u>Special Equipment</u>	<u>Eight Point Lake Improvement</u>	<u>Total</u>
-	-	1 923 35
-	<u>40 734 00</u>	<u>83 766 75</u>
-	<u>40 734 00</u>	<u>85 690 10</u>
-	-	1 923 35
-	<u>12 864 49</u>	<u>58 453 49</u>
-	<u>12 864 49</u>	<u>60 376 84</u>
-	<u>27 869 51</u>	<u>25 313 26</u>
-	-	<u>29 829 00</u>
-	-	<u>29 829 00</u>
-	27 869 51	55 142 26
<u>7 946 00</u>	<u>53 605 91</u>	<u>215 555 10</u>
<u>7 946 00</u>	<u>81 475 42</u>	<u>270 697 36</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2008

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/08</u>
<u>Assets</u>				
Cash in Bank	<u>24 534 94</u>	<u>2 515 482 61</u>	<u>2 538 426 15</u>	<u>1 591 40</u>
Total Assets	<u><u>24 534 94</u></u>	<u><u>2 515 482 61</u></u>	<u><u>2 538 426 15</u></u>	<u><u>1 591 40</u></u>
<u>Liabilities</u>				
Due to other funds	24 534 94	392 607 05	415 550 59	1 591 40
Due to others	<u>-</u>	<u>2 122 875 56</u>	<u>2 122 875 56</u>	<u>-</u>
Total Liabilities	<u><u>24 534 94</u></u>	<u><u>2 515 482 61</u></u>	<u><u>2 538 426 15</u></u>	<u><u>1 591 40</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

October 16, 2008

To the Township Board  
Township of Garfield  
Clare County, Michigan

We have audited the financial statements of the Township of Garfield for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Garfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Garfield  
Clare County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants